

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

Anchorage, AK
September 8, 2011
1:36 p.m.

MEMBERS PRESENT

Senator Dennis Egan, Chair
Senator Joe Paskvan, Vice Chair
Senator Linda Menard
Senator Bettye Davis
Senator Cathy Giessel

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Senator Gary Stevens
Senator Joe Thomas
Senator Fred Dyson

Representative Carl Gatto
Representative Les Gara
Representative Kurt Olson
Representative Mike Hawker
Representative Dan Saddler
Representative Mike Doogan

COMMITTEE CALENDAR

CS FOR HOUSE BILL NO. 110(FIN)

"An Act relating to the interest rate applicable to certain amounts due for fees, taxes, and payments made and property delivered to the Department of Revenue; relating to the oil and gas production tax rate; relating to monthly installment payments of the oil and gas production tax; relating to oil and gas production tax credits, including qualified capital credits for exploration, development, and production; relating to certain additional nontransferable oil and gas production tax credits; relating to the disclosure of certain tax information; making conforming amendments; and providing for an effective date."

- HEARD AND HELD

Hearing: North Slope Employment and Alaska Hire

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 110

SHORT TITLE: PRODUCTION TAX ON OIL AND GAS

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/18/11	(H)	READ THE FIRST TIME - REFERRALS
01/18/11	(H)	RES, FIN
02/07/11	(H)	RES AT 1:00 PM BARNES 124
02/07/11	(H)	Heard & Held
02/07/11	(H)	MINUTE(RES)
02/21/11	(H)	RES AT 1:00 PM BARNES 124
02/21/11	(H)	Heard & Held
02/21/11	(H)	MINUTE(RES)
02/21/11	(H)	RES AT 5:15 PM BARNES 124
02/21/11	(H)	Heard & Held
02/21/11	(H)	MINUTE(RES)
02/23/11	(H)	RES AT 1:00 PM BARNES 124
02/23/11	(H)	Heard & Held
02/23/11	(H)	MINUTE(RES)
02/25/11	(H)	RES AT 1:00 PM BARNES 124
02/25/11	(H)	Heard & Held
02/25/11	(H)	MINUTE(RES)
02/28/11	(H)	RES AT 1:00 PM HOUSE FINANCE 519
02/28/11	(H)	Moved CSHB 110(RES) Out of Committee
02/28/11	(H)	MINUTE(RES)
03/07/11	(H)	RES RPT CS(RES) NT 1DP 2DNP 4NR 2AM
03/07/11	(H)	DP: FEIGE
03/07/11	(H)	DNP: GARDNER, KAWASAKI
03/07/11	(H)	NR: FOSTER, MUNOZ, DICK, HERRON
03/07/11	(H)	AM: P.WILSON, SEATON
03/14/11	(H)	FIN AT 8:00 AM HOUSE FINANCE 519
03/14/11	(H)	Heard & Held
03/14/11	(H)	MINUTE(FIN)
03/15/11	(H)	FIN AT 8:00 AM HOUSE FINANCE 519
03/15/11	(H)	Heard & Held
03/15/11	(H)	MINUTE(FIN)
03/15/11	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
03/15/11	(H)	Dept. of Revenue continued
03/16/11	(H)	FIN AT 8:00 AM HOUSE FINANCE 519
03/16/11	(H)	Heard & Held
03/16/11	(H)	MINUTE(FIN)

03/16/11 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/16/11 (H) Heard & Held
 03/16/11 (H) MINUTE(FIN)
 03/17/11 (H) FIN AT 8:00 AM HOUSE FINANCE 519
 03/17/11 (H) Heard & Held
 03/17/11 (H) MINUTE(FIN)
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 03/17/11 (H) Heard & Held
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 03/18/11 (H) Heard & Held
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 03/21/11 (H) FIN AT 9:00 AM Anch LIO Rm 220
 03/21/11 (H) Heard & Held
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 03/21/11 (H) Heard & Held
 03/21/11 (H) MINUTE(FIN)
 03/23/11 (H) FIN AT 8:00 AM HOUSE FINANCE 519
 03/23/11 (H) Heard & Held
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 03/24/11 (H) Heard & Held
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 03/25/11 (H) FIN AT 8:00 AM HOUSE FINANCE 519
 03/25/11 (H) Heard & Held
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 03/26/11 (H) FIN AT 10:00 AM HOUSE FINANCE 519
 03/26/11 (H) Heard & Held
 03/26/11 (H) MINUTE(FIN)
 03/28/11 (H) FIN AT 8:30 AM HOUSE FINANCE 519
 03/28/11 (H) Bills Previously Heard/Scheduled
 03/28/11 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/28/11 (H) Heard & Held
 03/28/11 (H) MINUTE(FIN)
 03/29/11 (H) FIN AT 10:00 AM HOUSE FINANCE 519
 03/29/11 (H) Bills Previously Heard/Scheduled
 03/29/11 (H) FIN AT 1:30 PM HOUSE FINANCE 519

03/29/11 (H) Moved CSHB 110(FIN) Out of Committee
 03/29/11 (H) MINUTE(FIN)
 03/30/11 (H) FIN RPT CS(FIN) NT 6DP 3DNP 2NR
 03/30/11 (H) DP: T.WILSON, FAIRCLOUGH, HAWKER,
 COSTELLO, STOLTZE, THOMAS
 03/30/11 (H) DNP: GUTTENBERG, GARA, DOOGAN
 03/30/11 (H) NR: JOULE, EDGMON
 03/31/11 (H) BEFORE THE HOUSE
 04/01/11 (H) TRANSMITTED TO (S)
 04/01/11 (H) VERSION: CSHB 110(FIN)
 04/04/11 (S) READ THE FIRST TIME - REFERRALS
 04/04/11 (S) L&C, RES, FIN
 04/08/11 (S) L&C AT 2:30 PM FAHRENKAMP 203
 04/08/11 (S) Heard & Held
 04/08/11 (S) MINUTE(L&C)
 04/11/11 (S) L&C AT 6:00 PM BUTROVICH 205
 04/11/11 (S) Heard & Held
 04/11/11 (S) MINUTE(L&C)
 09/06/11 (S) L&C AT 1:30 PM FAIRBANKS
 09/06/11 (S) Heard & Held
 09/06/11 (S) MINUTE(L&C)
 09/08/11 (S) L&C AT 1:30 PM Anch LIO

WITNESS REGISTER

MARK HYLEN, Owner
 Beacon Occupational Health and Safety Services
 Anchorage, AK

POSITION STATEMENT: Testified that his company does not have a specific Alaska-hire policy, but he tries to hire as many Alaskans as possible.

BILL HURLEY, Senior Human Resource Business Partner
 ConocoPhillips Alaska
 Anchorage, AK

POSITION STATEMENT: Testified that ConocoPhillips is committed to workforce development in Alaska and is proud that it has one on the highest residency rates in the industry.

DOUG SMITH, President and CEO
 Little Red Services
 Anchorage, AK

POSITION STATEMENT: Testified that his company's Alaska-hire policy is to evaluate all candidates and to give preferential hire to a qualified Alaskan that meets all the criteria.

STEVE PERCY, President
Alaska Interstate Construction (AIC)
Anchorage, AK

POSITION STATEMENT: Described the efforts his company made to provide year around employment for employees and his efforts to hire Alaska residents.

DAVE MCALLEN, Statewide Training Director
Alaska Joint Electrical Apprenticeship, IBEW/NECA
Anchorage, AK

POSITION STATEMENT: Described the IBEW/NECA apprenticeship training programs and stated his belief that too many jobs are being filled by nonresidents.

VINCE BELTRAMI, President
AFL-CIO
Anchorage, AK

POSITION STATEMENT: Observed that differing methodology is at the core of the issue of what constitutes an Alaska resident. His perspective is that the simplest way to ensure high Alaska hire rates in the oilfields is to rely on the unions.

OSWALD JENSEN, representing himself
Anchorage, AK

POSITION STATEMENT: Described how non-Alaskan contractors vouch for other nonresidents to get their buddies hired.

TREVOR O'HARA, representing himself
Anchorage, AK

POSITION STATEMENT: Provided a personal account of the opportunity he has to target, train, and hire Alaskans, particularly from rural Alaska.

TOM MALONEY, Board President
Resource Development Council (RDC)
Anchorage, AK

POSITION STATEMENT: Urged the Legislature to focus on public policy to encourage new investment in production, which will result in additional Alaska hiring opportunities.

BRENDON HOPKINS, representing himself
Soldotna, AK

POSITION STATEMENT: Encouraged the committee not to impose specific restrictions on where employees live in their time off and instead support career-driven programs like APICC.

BARBARA BACHMEIER, representing herself
Anchorage, AK

POSITION STATEMENT: Observed that Alaska-hire recruitment efforts did not appear to include military service members and veterans and that excluding this valuable and readily available asset is a problem.

GINGER KING, representing herself
Anchorage, AK

POSITION STATEMENT: Stated that in her experience the oil industry is very open to Alaska hire and that most support positions in Anchorage are residents.

DAN ANDERSON, representing himself
Anchorage, AK

POSITION STATEMENT: Testified that the Alaska hire problem is on the North Slope; the support positions in town are largely filled by residents.

RACHEL PETRO, President and CEO
Alaska Chamber of Commerce
Anchorage, AK

POSITION STATEMENT: Testified that the Alaska Chamber generally supports Alaska hire, but more importantly it supports economic development.

CHARLES MCKEE, representing himself
Anchorage, AK

POSITION STATEMENT: Testified that his experience with hiring practices in the oil industry is that many base-level jobs are filled by nonresidents

REBECCA LOGAN, General Manager
Alaska Support Industry Alliance ("Alliance")
Anchorage, AK

POSITION STATEMENT: Testified that Alliance data shows an 86 percent Alaska hire rate.

MIKE KENNY, representing himself
Anchorage, AK

POSITION STATEMENT: Warned the committee about trusting data that shows that a lot of North Slope workers are Alaskans.

PAUL D. KENDALL, representing himself
Anchorage, AK

POSITION STATEMENT: Discussed the upcoming changes in energy and suggested the committee listen to engineers to figure out some direction.

ED HANSEN, representing himself
Anchorage, AK

POSITION STATEMENT: Stated that he was listening on behalf of the Governor.

DOLLY NORTON, President and CEO
Cully Corporation
Point Lay, AK

POSITION STATEMENT: Described the nonresident hiring practices she witnessed on the North Slope and urged the committee to support hiring Alaskan residents, Alaskans who live off the land, and young Alaskans.

RUSSELL SNYDER, representing himself
Anchorage, AK

POSITION STATEMENT: Testified that he has worked on the North Slope for six years and has seen that resident-hire numbers are fudged.

DEBORAH BROLLINI, representing herself
Anchorage, AK

POSITION STATEMENT: Urged the committee to think several generations ahead when it makes decisions.

AVES THOMPSON, Executive Director
Alaska Trucking Association (ATA)
Anchorage, AK

POSITION STATEMENT: Testified that ATA supports local hire but it seems counterproductive to try to develop a new legislatively engineered local-hire plan.

HAL GAZAWAY, representing himself
Anchorage, AK

POSITION STATEMENT: Supported waiting to see what the McDowell report shows before making any decisions.

RAY METCALFE, representing himself
Anchorage, AK

POSITION STATEMENT: Testified that local hire on the North Slope would increase if there was a stronger union presence and if preference was given to those unions that successfully negotiated a return to short rotation work schedules.

LYNETTE BARTOWSKI, representing herself
Anchorage, AK

POSITION STATEMENT: Challenged the committee to look at DMV statutes and to broaden the questions to hiring companies as to whether the physical address on the driver's license is where the person lives fulltime.

CAROLYN P. BOLAR, representing herself
Anchorage, AK

POSITION STATEMENT: Commented on why ACES passed and pointed out that the oil companies are just contractors and should be treated as such.

WINNIE OUTWATER, representing herself
Wasilla, AK

POSITION STATEMENT: Stated support for a stronger union presence on the North Slope because clauses in union bylaws allow preferential hire.

ACTION NARRATIVE

[1:36:06 PM](#)

CHAIR DENNIS EGAN called the Senate Labor and Commerce Standing Committee meeting to order at 1:36 p.m. Present at the call to order were Senators Giessel, Paskvan, Menard, and Chair Egan. Senator Davis arrived during the course of the meeting. Also attending the meeting were Senators Stevens, Thomas, and Dyson; and Representatives Gatto, Gara, Olson, Hawker, Saddler, and Doogan.

[1:37:05 PM](#)

HB 110-PRODUCTION TAX ON OIL AND GAS
HEARING: NORTH SLOPE EMPLOYMENT AND ALASKA HIRE

[1:37:14 PM](#)

CHAIR DENNIS EGAN announced the purpose of the meeting was to gather information on Alaska hire, not the taxation portion of HB 110. He reminded everyone that committees cannot take formal action on legislation during the Interim.

CHAIR EGAN stated that while Department of Labor and Workforce Development (DOLWD) statistics reveal that employment numbers on the North Slope are at an all-time high, many qualified Alaskans are unable to find employment in the oil industry. In an effort to move forward, the committee started a process to learn more about nonresident hiring practices in the oil industry. The

first hearing was held in Fairbanks two days ago. He related that in earlier hearings the committee made the disturbing observation that in 2010 more nonresidents than residents were hired for new in-state jobs in the oil industry. The committee also learned that some large North Slope construction companies have hired 100 percent nonresidents.

CHAIR EGAN advised that the committee would hear invited testimony from the oil industry this afternoon and testimony from labor and the interested public this evening. Through this process, he stated, the committee hopes to develop a more complete picture of employment opportunities in the Alaska oil industry and to work with industry to ensure more resident hire.

1:39:12 PM

MARK HYLEN, Owner, Beacon Occupational Health and Safety Services ("Beacon"), briefly outlined his experience with the oil industry, starting in 1991 when he worked on the North Slope to pay for college. He said he is the current president of the Alaska Support Industry Alliance ("Alliance") and he serves as a board member for the Alaska Process Industry Careers Consortium (APICC). He related that Beacon sees many North Slope new-hires for physicals, drug and alcohol testing, and safety training. Additionally, the company provides support in the field for year around medical clinics, safety professionals, site control at rig sites, and onsite training within the North Slope oilfields.

MR. HYLEN stated he would briefly respond to the three questions the committee specifically asked him to address.

1) Does your company have a policy concerning hiring of Alaskan workers?

MR. HYLEN explained that his company does not have a specific Alaska-hire policy, but he certainly tries to hire as many Alaskans as possible. Beacon defines an employee's residence by his or her driver's license. These records are maintained and verified annually.

2) What percentage of your workforce are current Alaskan residents?

MR. HYLEN informed the committee that Beacon currently has 225 fulltime employees; 81 percent are considered Alaska residents and 19 percent are nonresidents. The nonresidents reside in 23 different states. He explained that Beacon has had to recruit

outside Alaska to find the needed skill sets for its medical and safety personnel.

3) Recent data from the Department of Labor and Workforce Development (DOLWD) shows that just over half of all new hires in the industry are from out of state. What efforts do you make to find Alaskans to fill job openings in your company and how successful have they been?

MR. HYLEN outlined Beacon's efforts to promote Alaska hire including local advertising; job fair participation; internships for students from the UAA occupational health and safety program; externships for teachers to promote an understanding of the industry and its job opportunities; and no reimbursement for travel outside the state. He reiterated that the challenge for Beacon, and the industry as a whole, is the need for specialized personnel and the lack thereof in the Alaska workforce. For example, Beacon primarily uses physician assistants (PAs) and EMT-3s at its remote site clinics and these professionals are required to have at least five years of remote experience. UAA has just recently begun to offer a PA program and there simply aren't enough qualified Alaskans to meet the demand. The same is true for safety professionals; Alaska has just 80 registered certified safety professions. Until Alaska has more medical and safety professionals, it will be difficult for Beacon to achieve a higher percentage of Alaska hire. Mr. Hylen noted that when he was CEO at KAKIVIK he saw similar difficulty hiring specialized inspectors.

MR. HYLEN said his perspective is that members of the Alliance would prefer to recruit and hire locally and avoid incurring the cost associated with bringing nonresidents to town only to find that they can't pass the physical or drug test or they don't have the training they claimed. He observed that APICC has helped create process curriculums that are turning out students with the skill sets needed on the North Slope. Operators and oil field contractors that sit on the APICC board actively promote internships and teacher externships to encourage interest in potential careers in the oil industry.

MR. HYLEN questioned whether Beacon employees were being counted in the DOLWD statistics because the numbers don't add up. In any event, he said he has trouble understanding the correlation between resident hire and creating more jobs in the oil industry because, nonresident hire is clearly part of the fishing, tourism, construction, and healthcare industries. New job opportunities in the oil industry will result from increased

throughput in the pipeline. The Alaska oil industry is clearly missing the economic boom that other oil provinces are experiencing, he stated.

MR. HYLEN noted that the Alliance's general manager recently returned from Norway where she studied oil and gas exploration and production. She reported the following: Norway has 72 fields in production while Alaska has 8; Norway produces 2 million barrels/day while Alaska produces fewer than 600,000 barrels/day; and Norway has 230,000 people working in the oil and gas industry, and the unemployment rate is 3 percent. Obviously, he said, production leads to jobs and Alaska needs more oil in the pipeline.

1:45:26 PM

SENATOR GIESSEL said she's a nurse practitioner and she's observed that many of the nurse practitioners and PAs who serve in both rural Alaska and in Anchorage choose to stay in Alaska after they were hired from out-of-state, and they are providing specialty services that wouldn't otherwise be available. She asked if any of Beacon's out-of-state employees had decided to stay in Alaska and become residents.

MR. HYLEN replied it works both ways. After working remotely for a number of years some employees stay and others decide to live somewhere else during their time off. It's difficult for a company to deter that, he said.

SENATOR MENARD asked how many years of training it takes to become a certified safety professional.

MR. HYLEN explained that there are two ways to obtain certification: one is based on a certain number of years of education and experience before sitting for the test, and the other is a bachelor program in safety that waives the experience required to sit for the test. In both cases it's necessary to have a sponsor who is a safety professional. He related that Beacon paid for a teacher externship where a high school teacher worked on the North Slope, in town, and at Beacon's training facility in Kenai so he could go back and tell students about relevant job opportunities in the medical and safety fields.

SENATOR PASKVAN asked if he'd heard from qualified Alaskans who are upset because nonresidents were being hired to fill available jobs on the North Slope.

MR. HYLEN answered no, but perhaps that's because the Alliance membership is composed of Native corporations, Alaska businesses, and union and nonunion organizations. He added that it depends on the type of business because there are certain areas of the oil and gas industry that don't have work right now.

SENATOR PASKVAN asked if that type of work is cyclical.

MR. HYLEN replied it's cyclical with project timelines.

[1:50:06 PM](#)

SENATOR STEVENS remarked that he was unfamiliar with the term "externship."

MR. HYLEN explained that the Alaska Process Industry Careers Consortium (APICC) started an externship program several years ago. Industry solicits teachers that have an interest in learning more about the oil industry and how it might apply to educating students. The teacher learns about career opportunities in the industry and then promotes them in the classroom.

REPRESENTATIVE GATTO asked what percent of Alaskans qualify for North Slope jobs but fail the drug test.

MR. HYLEN replied he couldn't break it out for Alaskans, but the national average is about four percent.

CHAIR EGAN recognized that Representative Saddler joined the committee

REPRESENTATIVE GARA asked if the Alliance had a policy to educate its members to hire Alaskans who are qualified for North Slope jobs.

MR. HYLEN replied there were discussions about how to better position Alliance member companies for work within the oil and gas industry, but there was no policy. Now when memberships are renewed the Alliance gathers information about the total number of employees and Alaska resident hire percentages. The Alliance has also done outreach to the oil companies to talk about how to better position Alliance member companies for work within the industry.

[1:54:22 PM](#)

BILL HURLEY, Senior Human Resource Business Partner, ConocoPhillips Alaska, said he's been an Alaska resident for 15 years and he appreciates the opportunity to talk about workforce development. ConocoPhillips is committed to workforce development in Alaska and is proud that it has one of the highest residency rates in the industry, he stated. Over the last decade the rate has ranged from 87-92 percent and it currently stands at about 88 percent. In 2011 about 83 percent were hired from within Alaska and about 90 percent of those call Alaska their home.

MR. HURLEY stated that ConocoPhillips supports the University of Alaska System in regard to workforce development. Interns and new hires are recruited from the various campuses and over 100 UA graduates are currently employed within the company. Since year 2000, ConocoPhillips has invested over \$20 million in the University of Alaska Foundation; a \$15 million multi-year grant was awarded to UAA in 2008 and a \$500,000 grant was awarded to UAF in 2011.

MR. HURLEY reported that ConocoPhillips supports the Alaska Process Industry Career Consortium (APICC) by hiring interns as regular hires; it participates in the teacher externship program; it supports the Alaska Native Science and Engineering Program (ANSEP) through the bridge program and with financial contributions; it conducts outreach to local schools with job fairs and a networking forum; and it works with various departments within the state, labor organizations, and private industry to address workforce development. He highlighted the pipeline training plan committee, the training center in Fairbanks, the engineering program at Dimond High School, and the new career and technical education plan that is a joint effort by the departments of labor and education and the university.

MR. HURLEY stated that when ConocoPhillips has external postings, it has a practice of conducting additional outreach within Alaska that includes advertising in local newspapers and postings in more than 20 Alaska job centers.

[1:59:18 PM](#)

MR. HURLEY explained that ConocoPhillips has a local sourcing strategy with regard to contractor services. In 2010, 86 percent of the money that was spent on goods, services, and transportation flowed through Alaska-based companies. He highlighted support for Arctic Slope Regional Corporation (ASRC), Doyon, Nabors, Halliburton, and Kupik. In short,

ConocoPhillips is committed to ensuring a competitive, diverse, and sustainable supplier base for its Alaska operations.

MR. HURLEY stated that ConocoPhillips believes that the key to more opportunities for Alaskans is to create more jobs. Modifying ACES would do this.

2:01:18 PM

SENATOR MENARD asked how many students can enroll in the Fairbanks training facility.

MR. HURLEY offered to follow up and provide the information.

SENATOR PASKVAN asked if ConocoPhillips collects information from its subcontractors regarding nonresident hire issues and if that's a factor in ConocoPhillips doing business with that entity.

MR. HURLEY replied that information is collected from their top contractors and it's included in the company's annual report to Alaskans. He reiterated that an Alaska presence is a factor when ConocoPhillips determines who can bid on their contracts.

SENATOR PASKVAN asked if ConocoPhillips hired any of the subcontractors that are reported to have 100 percent nonresident hire and what jobs Alaskans presumably can't fill.

MR. HURLEY replied he isn't aware that ConocoPhillips has any involvement on the North Slope with those companies.

SENATOR PASKVAN asked what type of work those companies are performing.

MR. HURLEY replied he wasn't sure but he would follow up.

2:04:43 PM

SENATOR GIESSEL referred to a workforce residency graph that Alaska Oil and Gas Association (AOGA) developed using Alaska DOLWD data. It shows that Alaska hire increased over the last several years while nonresident hire remained stable. She asked if some of the 83 percent of ConocoPhillips employees that were hired from within Alaska were nonresident students who decided to stay in Alaska.

MR. HURLEY answered yes.

CHAIR EGAN recognized that Senator Dyson was in the audience.

2:06:50 PM

CLAIRE FITZPATRICK, Chief Financial Officer, BP in Alaska, thanked the committee for the opportunity to address the questions the committee outlined in its letter regarding Alaska hire. She said BP thinks about this from three aspects and believes that these will address the questions. The first is in respect to BP employees; the second is how BP supports the development and training of qualified people; and third is what BP can do to influence what their contractors are doing in the area of Alaska hire.

MS. FITZPATRICK stated that BP will always hire the best candidate for the job, but their preference is to hire qualified Alaskans. This makes good business sense. BP believes that the best way to increase the number of Alaskans working in the oil industry is to increase the level of oilfield activity thereby increasing the number and availability of oilfield jobs. She informed the committee that BP's record during the last five years shows that it has consistently employed 80 percent Alaskans in its greater than 2,000 person workforce. BP defines residency as having a primary residence in Alaska and the intent to stay. This is demonstrated by eligibility for the Permanent Fund Dividend (PFD), voter registration, vehicle registration, as well as annual employee certification as to residency. BP sends a report of its Alaska hire percentages to the Alaska Department of Labor and Workforce Development each year, and it publishes the Alaska Hire Report that describes recruiting, training, and purchasing initiatives. They also report hiring statistics from some of their largest contractors.

MS. FITZPATRICK informed the committee that in an effort to have a pool of trained Alaska residents for the workforce BP has invested nearly \$21 million to develop Alaska education and workforce programs over the last five years. BP has supported the University of Alaska's Alaska Native Science and Engineering Program (ANSEP) since inception and now underwrites the summer bridge program. BP was a founding member of the Alaska Process Industry Careers Consortium (APICC) and in the last five years has supported the program with donations and scholarships totaling more than \$900,000. Next week BP will dedicate a working wellhead to the University of Alaska Fairbanks (UAF) Process Technology College for student training. BP also supports the Alaska Association of Secondary School Principals.

Through a program introduced 26 years ago, BP has awarded scholarships to 650 worthy Alaska seniors, regardless of their

field of study. These workforce development investments have worked. In the last 10 years BP has hired 275 workers from the technology programs at the University of Alaska campuses in Kenai, Anchorage, and Fairbanks. This year Alaskans accounted for 100 percent of the recruitment for certain process technology jobs. In the last five years the University of Alaska System was among BP in America's top five colleges for recruitment for interns and graduates. This is the result of the university building exceptional programs with support from partners like BP.

MS. FITZPATRICK said BP is always looking for qualified and experienced individuals. For example, when the Agrium plant in Kenai closed BP actively recruited and brought on 10 Alaskans to fill experienced jobs on the North Slope. BP advertises in both the Alaska Job Bank and nationally when recruiting experienced employees, but the preference is to hire Alaskans because they are committed to the state and tend to stay. They've actually discovered they have better success in retaining employees in Alaska if they were either educated or born in the state. Furthermore, it's much more cost-effective to hire locally.

MS. FITZPATRICK stated that BP sometimes has to look outside Alaska to find qualified individuals. Similarly, qualified Alaskans sometimes are transferred elsewhere to fill jobs within the company. Each year about 60 BP employees transfer in and out but those transferring in are offered strong incentives to stay. These include a special relocation policy and an Alaska salary premium. She added that BP's transportation policy is that employees who are on rotation and choose to live out of state must provide their own transportation to Anchorage or Fairbanks for rotation. The exception to this policy affects eight employees who are members of a specialized global team that the company moves from field to field as needed.

MS. FITZPATRICK said that BP is continuing to look at their role in helping to influence their contractors with regard to Alaska hire. Earlier this year BP President John Minge met with DOLWD Commissioner Bishop to talk about workforce development and Alaska hire. It's a priority for the industry. She noted that the commissioner sent letters to a number of businesses raising the issue of Alaska hire and BP was disappointed to learn that some did not respond effectively. As a result, BP is in the process of sending letters to its top contractors to make it clear that Alaska hire is important to BP and the state and encouraging timely response to these types of requests. Alaska hire language is a standard contract provision, and BP's

contractors are required to make reasonable efforts to employ Alaska residents, subcontract to Alaska-owned businesses, and to post job openings in Barrow when there are opportunities for North Slope positions. BP's bid packages have always included safety, quality, and total cost, and in the future Alaska hire will become part of the decision process in awarding contracts. Contractors will be asked to provide specific Alaska hire data to support their bid package.

MS. FITZPATRICK stated that BP is looking for ways to increase opportunities for organized labor in the belief that increased competitive bidding will result in efficiencies for the business. Unbundling some of the work will provide competitive opportunities for more companies. The leaders of the major trade unions and their North Slope contractors have made it clear that they'd like a shot at year around work on the North Slope, and BP is committed to give them a chance to compete. This dialog continues, but three packages will be ready in the next couple of months. BP will continue to select the proposal with the best safety, quality, and price, but it recognizes the long-term value of Alaskans and Alaska companies working on the North Slope and other locations in the state. She concluded that with the right combination of investment, human resources, and competitive tax environment, Alaska industry and the North Slope oil fields can continue to provide training and jobs for Alaskans.

[2:16:41 PM](#)

SENATOR PASKVAN asked what type of work the subcontractors that had 100 percent nonresident employees were performing and if there were Alaskan contractors that could perform that work. If qualified Alaskans were available, he questioned why they weren't doing the work.

MS. FITZPATRICK replied she could provide an example. She explained that BP has hired a highly specialized team of about 200 people to work for 4-8 weeks in the peak season. This particular company specializes in this activity, and they move that team around the U.S. and perhaps internationally. If an Alaska company met the qualifications and was able to seasonally provide that quality of skill set for that particular activity, BP wouldn't look outside the state, she said.

SENATOR PASKVAN observed that the committee was looking at the issue of Alaska hire in part because of the April 2011 Alaska DOLWD report that indicates that there are about 3,000

nonresident workers on the North Slope. He questioned why Alaskans weren't working those jobs.

MS. FITZPATRICK replied she only knows the specifics of the specialized turnaround crew she described earlier. She added that right now BP has less than 1,000 employees on the North Slope.

SENATOR PASKVAN said his focus is on first, second, and third tier contractors and subcontractors to find out why so many of those positions are occupied by nonresident workers.

MS. FITZPATRICK responded that she couldn't comment on anyone else's hiring policies.

SENATOR PASKVAN said he hopes that BP follows through and makes Alaska hire part of its criteria for hiring contractors and subcontractors.

MS. FITZPATRICK responded that in light of her testimony today, she anticipates that the committee will follow up in six months to ask how BP is doing.

SENATOR MENARD asked what kind of work the specialty team performed.

MS. FITZPATRICK replied it does technical engineering related to start up and shut down of BP's large facilities on the North Slope. She reiterated that BP has struggled with accessing this skillset for a short period of time during the peak season.

SENATOR GIESSEL asked Ms. Fitzpatrick to clarify her earlier comment about union contractors that did not meet the Alaska hire standard.

MS. FITZPATRICK clarified that she was talking about a conversation in which the unions expressed frustration that BP wasn't doing as much as it could to give the unions a fair chance to compete for certain aspects of work.

SENATOR GIESSEL asked if these companies were currently bidding on BP jobs.

MS. FITZPATRICK replied the answer is yes in some cases and no in others. In some instances it was that BP had bundled a number of activities such that a particular union didn't have the range of skills to bid on the bundle. BP has since agreed to unbundle

the activities to create a more level playing field and allow more organizations to compete for the work.

SENATOR PASKVAN asked if she agrees with the assertion that maintenance work is performed by lower skilled and lower paid employees.

MS. FITZPATRICK said it would depend on what the maintenance is because it can cover a broad range of skills. She offered to follow up.

2:27:05 PM

DALE PITTMAN, Production Manager, ExxonMobil Alaska ("Exxon"), said he's lived in Alaska for two years and his current job is to oversee the company's interests statewide including the ongoing development of Point Thomson. He thanked the committee for the opportunity to discuss Exxon's local hiring practices.

MR. PITTMAN stated that Exxon has been a key player in the development of Alaska's oil industry, having invested more than \$12 billion to date. As the unit operator at Point Thomson, he said that over the last three years Exxon has taken an active role in workforce development and local hiring to support the project activities. In addition, Exxon acquired XTO Energy, a company with a long history of hiring and developing local talent.

He explained that the corporation's overall approach to workforce development is based on a commitment to bring sound, economic development opportunities to the region in which it operates. The pursuit of these opportunities is based on three key principles: 1) local hire, 2) training and development, and 3) long-term investment in education. The strategy for creating local jobs includes a focus on educating and training local employees, contractors and suppliers, transferring knowledge and skills, purchasing local goods and services, and making strategic investment in the local community.

MR. PITTMAN stated that Exxon has been and will continue to be a strong proponent of local hire. However, in some regions it is initially difficult to meet this objective due to an insufficient pool of experienced candidates and limitations in the local training infrastructure. In those cases Exxon builds the programs to build the needed skills. He cited an example from Sakhalin, Russia and related that Exxon invests over \$100 million annually to support education worldwide.

[2:31:33 PM](#)

MR. PITTMAN reported that to date Exxon has spent about \$1.5 billion in Alaska. In the last three years they've spent about \$700 million in direct investment to the state economy including contracting with over 170 Alaska-based firms, all for Point Thomson. Contractor costs account for 90 percent of what's been spent on that project thus far, and the individual contracts have specific provisions to maximize Alaska hire in all job categories. Contractors must develop a local business development plan, which is reviewed, approved, and monitored. On the North Slope, Exxon also reached out to the village corporations in Kaktovik and Nuiqsut to maximize their local commerce and hire.

He explained that before the Point Thomson development, Exxon traditionally maintained 30 Alaska-based employees in Anchorage. That number grew to more than 180 with 75 percent residents, and now that the first phase of drilling is complete it's dropped back to about 100 people. The percentage of residents is now over 80 percent. That percentage should increase substantially as onsite construction resumes at Point Thomson, he said.

MR. PITTMAN informed the committee that Exxon built an exceptional safety culture at Point Thomson by working with local contractors to develop safety observation and intervention programs. They held several forums focused on safety, health, and environmental performance that included the contract of senior management. The working environment is very safe, and these Alaskan contractors can apply their skills in future development at Point Thomson and other facilities in the state.

MR. PITTMAN stated that Exxon has addressed the educational component of its strategy by making numerous investments in Alaska education programs in the last few years. The long-term focus is to prepare Alaska students to meet the ever increasing technical challenges associated with resource development in Alaska. The corporation is a founding sponsor of the acceleration academy within ANSEP; it is a strong supporter of the University of Alaska campuses and provides ongoing assistance to the college in Barrow and other places on the Slope; and it is actively evaluating Alaska's vocational/technical schools and training facilities that will become important centers for recruitment as Point Thomson moves forward. Exxon will continue to work with these programs to ensure that future graduates will have the necessary skills to meet Exxon's future direct staffing needs. To the extent allowed

by law, Exxon will also continue to encourage its contractors and suppliers to fully utilize the Alaska workforce.

MR. PITTMAN restated that Exxon is committed to bringing sound economic development opportunities to the regions in which it operates. It is Exxon's belief that it is aligned with the state, particularly in regard to local hiring practices, which is good business for the industry, the economy of the state, and its residents.

2:35:35 PM

SENATOR PASKVAN asked if Alaska hire will be a factor in ExxonMobil's decision-making going forward with regard to employing contractors.

MR. PITTMAN assured him it will be a factor because it's their global practice. The corporation takes a long view and believes that contractors that are hired from out-of-state need to be encouraged to become Alaskan and efforts must be made to find Alaskans can provide the needed skill sets.

SENATOR PASKVAN pointed out that the Alaska DOLWD data shows that the nonresident hire numbers have been increasing by about 200 per year. In the year 2000 about 1,100 nonresidents were working on the North Slope and now about 3,000 nonresidents work there. He asked how to stop that trend.

MR. PITTMAN responded that it's important to continue to invest in the local workforce over the long term to ensure that the positions and skills to meet them are available in the state.

SENATOR GIESSEL asked how often Alaskans are sent to other areas to help out because of their expertise.

MR. PITTMAN replied Exxon has hired interns from the transition program with ANSEP to work in operations outside the state, and the hope and intent is that they will someday bring their skills back to Alaska.

2:39:06 PM

DOUG SMITH, President and CEO, Little Red Services, informed the committee that he has been in Alaska for 27 years and has worked in the oil and gas industry for 20 years. He explained that Little Red Services is a 25-year Alaska oilfield company that provides specialty services on the North Slope and Cook Inlet. The company originated in Alaska and now employs over 100 people. Their Alaska hire policy is to evaluate all candidates

and to give preferential hire to a qualified Alaskan that meets all the criteria. The evaluation looks at qualifications, skill and attitude. Safety excellence is expected, and providing quality services to customers is required, so attitude is an important component. The physical residence is verified with the PFD and driver's license and the employee has to certify annually as to their residency. There is no policy that precludes an employee from moving out of the state after they were hired.

Currently, 68 percent of Little Red Services' employees are Alaska residents; 92 employees are Alaska residents, 44 employees are nonresidents residing in 15 states, primarily Washington. Residency data is tracked every month through the payroll system, and he'd very much like to have a 100 percent Alaskan workforce. In the last ten years the percentage has varied from 81 percent to the current low of 68 percent. In the last year 22 employees left the company to pursue opportunities in shale oil; 17 of those were residents.

MR. SMITH said they post job openings in trade journals, newspapers and Craigslist, and he's always looking for other avenues. He encouraged the members to look at the DOLWA ALEXsys website to get a better feel for how difficult it is to even become an authorized user in order to search for a job in the state system. Furthermore, there isn't an industry cluster for the oil and gas industry even though it's the state's primary job base. Obviously, there's room for improvement, he said.

2:44:00 PM

MR. SMITH suggested the committee think about the broader issue of Alaska hire, which is to bring more of the economy home. He pointed out that the state employee healthcare plan, the property and casualty insurance programs for the state, and the University of Alaska insurance program are all managed out of state by companies that have zero Alaska hire. There are companies in Alaska that can do these services, so it's time to look at the entire comprehensive aspect of growing the economy here.

SENATOR PASKVAN said he liked his attitude and hopes that shale oil comes to Alaska soon.

SENATOR GIESSEL said she was concerned to discover that 24 percent of the masters, pilots, and engineers that are employed by the Alaska Marine Highway System are not Alaska residents,

yet they receive an Alaskan paycheck. She asked what his company is doing to recruit young Alaskans.

MR. SMITH replied his most recent effort was to meet with the owner of Northern Industrial Training (NIT) to discuss the cost of the NIT courses, because some potential employees need additional tanker and hazmat endorsements. He said he believes that there are a lot of North Slope jobs that residents could fill right now, but they need a little help to see the pathway to get to those opportunities.

MR. SMITH further stated that as the industry chair for the Alliance he talks to companies about hiring Alaska contractors and Alaskans, and he recognizes that for Alaska companies to be hired they have to be competitive. They can be competitive if the volume of activity is sufficient to maintain the workforce here year around. He said his company is working to solve challenges to bring jobs back to Alaska.

[2:48:53 PM](#)

STEVE PERCY, President, Alaska Interstate Construction (AIC), explained that AIC is a heavy civil contracting company that was conceived, born, and raised on the North Slope 20 some years ago. At that time the employment needs far exceeded the supply of qualified Alaska workers, so many jobs were filled from out-of-state. As the North Slope matured, AIC found that a lot of its employees wanted to move to Alaska, but the company didn't have much summer work, so it couldn't provide year around employment. To address the issue AIC diversified into mining and public works about ten years ago. In addition to providing year around employment, the company also made additional efforts to hire Alaska employees. He explained that AIC is a union contractor so its truck drivers, mechanics, and laborers come from the union hall. The company also has about 90 nonunion staff, 85 percent of which are Alaska residents.

MR. PERCY related that in the last three years AIC has had trouble keeping its large fleet of heavy equipment working fulltime. He noted that the company probably has \$20 million of inventory in Prudhoe Bay. Last year their yard was full of equipment most of the time, and the prospects for the 2011/2012 winter season are even bleaker. He said they understand that there will always be peaks and valleys in this type of business, but extended periods of idle time are not sustainable. For this reason the company has recently made a strong push into northern Alberta and hopes to have its equipment working there this

winter. He said his experience is that it's very difficult to get equipment back once it's been removed.

For AIC to keep its equipment in Alaska, there needs to be more capital improvement projects on the North Slope that require heavy civil contracting work. He noted that in the last three years AIC's employment statistics haven't declined too much because the company is doing more labor-intensive projects that require a lot of people, but not equipment. It may be time for the company to diversify again in order to continue to consistently work on Prudhoe Bay, he said.

[2:54:51 PM](#)

SENATOR MENARD asked if the Canadians are sensitive to non-Canadian workers and contractors.

MR. PERCY replied Alberta is somewhat similar to Alaska 20 years ago; there is so much activity there that workers are being imported from everywhere.

SENATOR GIESSEL noted that a Canadian official reported that 22,000 new jobs were created in Alberta in just the month of June. She asked if AIC is taking its Alaska employees when it moves its equipment to Alberta.

MR. PERCY replied they will to the extent possible, but it's difficult to get the craft across the border. He explained that the supervisors can go across with a professional work visa, but the craft doesn't qualify for that type of visa.

[2:56:50 PM](#)

DAVE MCALLEN, Statewide Training Director, Alaska Joint Electrical Apprenticeship, IBEW/NECA, said he would speak from the perspective of a trainer and educator and on behalf of the Alaska Apprenticeship Training Coordinator Association (AATCA). He explained that he's trained over 400 of the 2,000 individuals that have been trained in AATCA apprenticeship programs, and it's his belief that too many jobs are being filled by nonresidents. Obviously, some specialized positions require experience and knowledge that isn't available locally, but there are many good jobs as welders, electricians, and plumbers that Alaskans can and should fill. He said he's worked in the oilfields and can attest that there are many nonresident workers on the North Slope every day.

MR. MCALLEN explained that the program he directs is one of the Joint Apprenticeship Training Committees (JATC) that comprises

AATCA. His particular JATC serves the more than 60 International Brotherhood of Electrical Workers (IBEW) and National Electrical Contractors Association (NECA) contractors and utilities across the state. More than 400 apprentices are currently working statewide in a 4-5 year program that is primarily paid for by the self-funded training trust. An additional 482 applicants are on a ready-to-go-to-work list, but new apprentices are signed based on the work demands of the participating employers.

MR. MCALLEN said the NECA apprenticeship program has the interest, class space, and resources to double the size of the program if the demand for skilled workers were great enough. He noted that many of the other crafts are in a similar position. Because the training trust is self-funded, additional work opportunities would provide increased contribution revenues to grow the program.

MR. MCALLEN said that to assure true local hire, the apprenticeship program requires applicants to have been Alaska residents for at least one year. They recruit statewide and partner with school districts and other organizations in the belief that the local workforce, particularly kids just entering the workforce, deserve a shot at these jobs. He noted that in addition to the trade apprenticeships, the university system and AVTEC are available to provide quality training and the skills to provide a skilled and effective workforce. Let's ensure that Alaskan workers are given the chance to fill these jobs, he stated.

[3:01:39 PM](#)

SENATOR GIESSEL noted that the IBEW Local 1547 "2011 TRAVELERS Report" shows that on 3/15/2011 one member from Local 292 and one member from Local 46 were voted on by members of Local 1547. She asked what that vote means other than to make them members of Local 1547.

MR. MCALLEN clarified that while he is an IBEW member, he doesn't work directly for the union; he represents the apprenticeship that is 100 percent Alaskan. He continued to explain that the union accepts travelers, who are nonresidents, if local union members are not available to fill jobs. After a period of time the traveler can apply to join the local union.

SENATOR GIESSEL directed attention to the Travel Committee website for Local 25, which is in the state of New York, and observed that the tenor is definitely recruitment of out-of-state IBEW members to Alaska. She asked his impression.

MR. MCALLEN replied travelers come to Alaska every year, and he's certain they occasionally work on the North Slope. He added that it's counterproductive to the apprenticeship program, but he does acknowledge that there's a lack of continuity of work in the state.

SENATOR PASKVAN said the committee has consistently heard that there are peaks and valleys to Alaska's employment cycle and that the extraction process for shale oil is more labor intensive. He asked what the IBEW and other trades are doing to ensure that shale development can occur as quickly as possible in Alaska.

MR. MCALLEN replied his job is to train electricians and his program is ready and willing to expand to meet the job opportunities.

[3:08:12 PM](#)

SENATOR GIESSEL observed that Shell Oil estimates that offshore oil development will create 54,000 jobs over 50 years and that the largest Community Development Quota (CDQ) groundfish company wants to relocate its maintenance operations from Seattle to Seward. She asked if the IBEW voices support for this kind of private sector industry development.

MR. MCALLEN replied they're absolutely interested in development; it's not a matter of union or nonunion.

[3:10:00 PM](#)

VINCE BELTRAMI, President, AFL-CIO, stated that the testimony everyone heard two days ago in Fairbanks makes it nearly impossible to have faith in either the methodology or the claims of 75 percent or higher resident hire. He added that to hear there's a sleeping facility being constructed at the airport in Anchorage for oilfield workers to layover is an insult to those who are trying to address this nonresident hire problem.

MR. BELTRAMI said that while the testimony on Tuesday from the Alaska Oil and Gas Association (AOGA) representative was that resident versus nonresident hire percentages have been stable for a decade, a more historical snapshot shows a very different picture. He pointed to the 1997 legislative audit report on industry local hire and contracting, which showed that from 1991-1996 industry nonresident hire increased from 21 percent to 27 percent and remained flat through 2003. According to the AOGA report, the nonresident hire percentage increased to more than

32 percent by 2005, which represents an 11 percent decrease in resident hire between 1991 and 2005. The latest DOLWD report shows that about 50 percent of all new hires are nonresidents.

MR. BELTRAMI observed that the issue of methodology is at the core of what constitutes an Alaska resident. It's not clear where and when workers are reported and how they're considered in terms of job classifications. The anecdotal stories by Alaskans working on the North Slope significantly contradict the reported percentages, he said.

MR. BELTRAMI said he'd like to see more union and nonunion jobs in Alaska, but his perspective is that the simplest way to ensure Alaska hire in the oilfields is to rely on the unions. Title 29, Chapter 7, Subchapter II of the National Labor Relations Act allows unions to employ a local-hire preference without the constitutional constraints that nonunion employers typically face. Hiring more union-affiliated Alaska contractors would immediately improve Alaska hire figures. Their methods for assuring residency are stringent.

MR. BELTRAMI reported that most apprenticeship programs require at least one year of bona fide Alaska residency. Also, union apprentices comprise the bulk of apprentices registered in the state and have completion rates that range from 70 percent to 90 percent.

MR. BELTRAMI said the bottom line is jobs for Alaskans and this should be the first question to answer before going one step further in considering what at this point he thinks can only be referred to as a bill that gives the state's oil wealth away. Presently many good jobs are being created in construction and other civil work around the state due to the nearly \$3 billion annual capital project budgets coming out of Juneau. You can count the number of Alaskans working on these jobs by reviewing required certified payroll reports. State revenues that are diverted out of the state coffer and into the hands of the oil producers kill capital construction budgets and the associated jobs. The only way that it doesn't eliminate jobs or reduce future capital budgets is if you believe that allowing the producers to retain more profit will result in more oil production. Although, he said, there is absolutely nothing in the history of these companies' years of producing and operating in Alaska that can draw you to such a conclusion. Even at the lowest historical tax rates, production did not increase.

MR. BELTRAMI said he understands the importance of the oil industry to the financial health of the state, but he also recognizes that these companies have a responsibility to their corporate shareholders to maximize all potential profit. On the other hand, legislators and the Governor have a responsibility to the shareholders of Alaska's resource wealth. He said he's made a living negotiating, and he finds it hard to understand how one body of the Legislature could conceivably give away the farm with no guarantees in return for giving that break.

MR. BELTRAMI observed that the Governor's recent press release seemed to chastise the Senate with regard to this bill. He opined that workers in the state should be insulted that the Governor doesn't seem to think that Alaska hire is a core issue.

MR. BELTRAMI said it's no longer disputed that employment in the oil industry is up, but some now contend that this up tic is just maintenance jobs. This somehow suggests that maintenance jobs are somehow less important than new exploration or production, which is ridiculous. The goal is to increase throughput in an aging infrastructure, so there are probably no more critical jobs than maintenance. Unless future capital budgets are strong and include large and medium scale infrastructure projects, the number of net new jobs will not increase overall. Net new jobs will not be created by simply rolling taxes back if it doesn't create significant increases in production.

[3:19:52 PM](#)

SENATOR PASKVAN asked what types of North Slope jobs are being performed by nonresidents and if he believes that there are Alaskan contractors and Alaskan employees that can do that work.

MR. BELTRAMI replied there are definitely resources in the state to do a number of the jobs. One of the companies handles coating/painting, and the union definitely has members that have that skill set, but it also has members to fill more high tech positions. The union has upward of \$40 million in infrastructure for its apprenticeship program, and the union members contribute to these programs; five years ago the contribution was \$10 million. Admiral Barrett with Alyeska Pipeline Service expressed concern recently about filling high tech positions, but the union already has those training programs in place, he stated. It's just a matter of accessing the union.

SENATOR PASKVAN asked what, other than painting and coating, were the 3,000 nonresidents doing on the North Slope.

MR. BELTRAMI replied there are maintenance jobs, some high tech and some not, and there are resources in the state to train and fill any of those positions.

3:24:57 PM

SENATOR GIESSEL asked if he said that in 2005 nonresident employment on the North Slope was 32 percent.

MR. BELTRAMI replied he got the information from the chart she cited earlier, and when he did the math he came out with 32 percent nonresident hire.

SENATOR GIESSEL asked him to comment on the November 2005 IBEW newsletter that thanked IBEW travelers that came to Alaska that summer to work in the short construction season. It sounds like that particular union was inviting nonresident workers to Alaska, she said.

MR. BELTRAMI explained that that sometimes happens when the demand exceeds supply, but it's actually easier for a nonunion Alaskan electrician to qualify to become a member of the local union and go to work ahead of travelers.

SENATOR GIESSEL asked what percentage of the workers on the North Slope were union members.

MR. BELTRAMI suggested she ask the business members that represent the various crafts; he didn't know.

SENATOR GIESSEL asked what crafts the AFL-CIO represents.

MR. BELTRAMI replied the AFL-CIO represents all craft workers in the state including public employee sector unions and private sector union members.

SENATOR GIESSEL highlighted that 24 percent of Alaska Marine Highway System masters, pilots, and engineers are nonresidents and asked him to help return those specialized jobs to Alaska residents.

MR. BELTRAMI replied, "You bet."

SENATOR GIESSEL clarified that according to the DOLWD commissioner, the sleeping area at the Anchorage International Airport is a private sector contract that is open to anyone; it was not intended to target North Slope workers.

MR. BELTRAMI responded that the flier that was presented during public testimony offered significant discounts to oilfield workers.

[3:30:49 PM](#)

SENATOR GIESSEL referred to an Institute of Social and Economic Research (ISER) chart showing that in 2010, 50 barrels of oil were produced per day per North Slope worker; whereas in 2005, 100 barrels of oil were produced per day per North Slope worker. She asked him to support Shell Oil's offshore efforts and the relocation of the CDQ maintenance operations from Seattle to Seward. Both will create jobs.

MR. BELTRAMI responded that he was invited to participate on a panel supporting development in the Outer Continental Shelf.

REPRESENTATIVE GARA asked if he could explain the apparent contradiction between the statements that: 1) the oil industry is working hard to get its contractors to increase the Alaska-hire numbers; and 2) that DOLWD statistics indicate that since the last quarter of 2009 roughly 50 percent of the newest hires on the North Slope are nonresidents. Employment numbers on the North Slope and the numbers of non-Alaska hire are both the highest in history.

MR. BELTRAMI agreed it's a perplexing contradiction and reiterated that it could be due to different methodologies for reporting. He said he did intend to follow up because anecdotally it's clearly evident that long-time Alaskans who work on the North Slope are surrounded less and less by Alaska residents.

CHAIR EGAN stated that the McDowell Group was conducting a report that would hopefully answer those questions.

[3:35:09 PM](#)

CHAIR EGAN thanked the participants and recessed the meeting.

[5:34:01 PM](#)

CHAIR EGAN reconvened the meeting and stated that the purpose of the evening meeting was to hear from the public about ways to ensure more Alaska hire in the oil industry. He encouraged the public to follow legislative activity both during session and the Interim at AlaskaLegislature.tv.

[5:38:17 PM](#)

OSWALD JENSEN, representing himself, said he's only worked ten weeks in the last ten months, but he's worked on the North Slope since 1997. He stated that 85 percent of the foremen and general foremen on the North Slope and Cook Inlet are from out of state. When there's a job opening, these non-Alaskan contractors vouch for other nonresidents, and that's who gets hired. "Those fellas are gunning for our Alaskan jobs," he stated. He explained that before this current job he passed all the tests and physical for a job with ASRC. However, the general foreman sent him back for additional tests because he wanted to hire his buddy. That's what happened.

MR. JENSEN pointed out that when an Alaska gets a job here he spends his money here, but a nonresident takes his money and leaves the state. He urged the committee to make it a policy to require hiring Alaskans for the upper positions because that would eventually solve the problem.

CHAIR EGAN asked for what position he was originally dispatched.

MR. JENSEN replied he's a structural welder, one of the best in the state.

[5:44:18 PM](#)

TREVOR O'HARA, representing himself, said he's originally from Bristol Bay and now works for CH₂M Hill as a workforce development manager. He explained that he returned this evening to give a personal account of the opportunity he has to target, train, and hire Alaskans, particularly from rural Alaska. For example, in the last four years CH₂M Hill has extended offers to 150 successfully trained graduates from King Salmon. Testimony has shown that there's a lot of negative out there, but at the same time there are positive things being done.

SENATOR GIESSEL asked what the prerequisites are for the training program.

MR. O'HARA replied applicants need a high school diploma, the ability to pass a drug test, a good motor vehicle record, the ability to pass a criminal background check, and a certain educational background to ensure he or she can handle the training.

SENATOR THOMAS asked what types of jobs he trains for and how long the training lasts.

MR. O'HARA replied it's a three-week class covering general maintenance. This includes basic safety, introduction to hand and power tools, introduction to construction math, and basic employability and communication skills. Just three graduates have turned down job offers and the retention rate is about 80 percent.

SENATOR THOMAS asked if he's found that transferable skills already exist with folks in that area of the state.

MR. O'HARA replied on reason CH₂M Hill targeted Southwest Alaska is because it already had an industry backbone. The people understand hard work and the importance of a good work ethic.

[5:48:55 PM](#)

SENATOR PASKVAN asked if he'd visited Prudhoe Bay to see what type of work was being done.

MR. O'HARA answered yes.

SENATOR PASKVAN noted the statistic that's available is that 35 percent of the 8,500 workers in Prudhoe Bay are nonresidents. He asked if Alaskans could be trained to do some of the work that the 3,000 nonresidents were doing.

MR. O'HARA explained that the training CH₂M Hill produces skills that are transferable to a number of industries. In the second week of class subject matter experts from the company serve as instructors. This provides a direct link between training and hiring to entry-level positions. He noted that the training program wouldn't be possible without the STEP grant from DOLWD.

SENATOR GIESSEL asked how long have he'd been doing the program and if he'd seen folks advance from entry-level to more advanced positions.

MR. O'HARA replied he started with CH₂M Hill four years ago and was recently promoted to the manager position. The class emphasizes not being satisfied with entry-level positions, and a number of graduates have assumed first and second level leadership positions.

[5:53:43 PM](#)

TOM MALONEY, President, Board of Directors, Resource Development Council (RDC), Anchorage, AK, stated that he was testifying on behalf of the 78-member all-Alaskan RDC board. He informed the committee that the RDC had members in the resource industries of

tourism, oil and gas, mining, fishing, and forestry. Their primary concern is the decline in throughput in the Trans Alaska Pipeline System (TAPS), given that it's the economic lifeblood of the state. Currently it's running at less than one-third capacity, and throughput is at the lowest level since startup in 1977.

MR. MALONEY stated that the RDC urges the Legislature to focus on public policy to encourage new investment in production, which will result in additional Alaska hiring opportunities. To illustrate the magnitude of the issue, he pointed out that in 2007 the state forecast that production in 2011 would be over 800,000 barrels/day. The actual numbers from January through August 2011 averaged 568,000 barrels/day, which is 30 percent less than the 2007 forecast.

Hopefully, he said, the exploratory drilling that's anticipated this winter will materialize and yield commercial production in the next five to ten years. In part this activity is based on favorable exploration incentives and credits, which help to mitigate risk. However, new explorers have consistently informed RDC that they are counting on significant production tax reform if and when their exploration efforts are successful.

MR. MALONEY pointed out that development drilling had been virtually flat since 2007 and opined that such drilling in Prudhoe Bay and Kuparuk is the best option for getting new oil into the pipeline in the near term. This will increase state royalties and Alaska hiring opportunities in drilling, engineering, procurement, fabrication, construction, installation, logistics, support services, and maintenance. The alternative will leave the economy at risk. He again encouraged the committee to look at public policy that would encourage both investment and Alaskan jobs.

[5:59:43 PM](#)

SENATOR PASKVAN asked if he knew of any plans to construct a treatment facility in the central North Slope region; the last one was constructed in 1995.

MR. MALONEY replied the current facilities need to be revitalized to generally handle less oil and more gas and water.

SENATOR THOMAS questioned why exploration wasn't greater during the 10-15 years when the tax rate was much lower.

[6:02:46 PM](#)

MR. MALONEY recalled that during the Knowles administration there was a lot of activity in new oil fields. He cited Northstar that peaked at about 78,000 barrels/day and the Alpine facility further west that ConocoPhillips now operates.

6:04:08 PM

BRENDON HOPKINS, representing himself, Soldotna, AK, said he was born in Alaska and went to work on the North Slope after he received a process technology degree from the Alaska Process Industry Career Consortium (APICC) program. He encouraged the committee not to impose specific restrictions on where employees live in their time off and instead support career-driven programs like APICC. He said his experience is that many of the people that are educated here have a strong tendency to do as he did and continue to live in Alaska after graduation. He agreed with earlier testimony regarding the success of this program and noted that it was a joint effort by industry and the University of Alaska System.

MR. HOPKINS encouraged the committee to adopt a policy that stimulates development. The Shell Oil production prospects that were mentioned earlier equate to about 36,000 jobs. It's not about cutting up the remaining pie, it's about growing the pie to make sure that there's sufficient opportunity in the state to have jobs for future generations.

6:09:17 PM

BARBARA BACHMEIER, representing herself, Anchorage, AK, said she's a retired military officer who decided to testify because none of the testimony thus far had mentioned recruitment efforts that were directed at military service members and veterans. To exclude this valuable and readily available asset in Alaska is a problem in the corporate and small business cultures, she stated.

MS. BACHMEIER said there are many military members and their families that like living in Alaska and would like to stay here after retirement or separation from the service, but oftentimes they need meaningful jobs in order to stay. These top-notch and trustworthy people have skill sets that are often relevant. These skill sets include specialized and technical engineering credentials, analytical and intelligence work, medical expertise, finance and accounting, CDL and other driving endorsements, and a broad range of maintenance work. She said she doesn't understand why she met somebody in Eugene, Oregon who was on his way to the North Slope in order to paint or coat because she's quite sure that anybody in Alaska can figure out

how to paint a tank, a pipe, a roof or vessels if their salary is linked to that.

MS. BACHMEIER stated that it is terribly wrong to exclude Alaska's military population in recruitment efforts for jobs on the North Slope; she's testifying to make the committee and public aware of this in the hope that something can be done to remedy the situation.

[6:15:10 PM](#)

GINGER KING, representing herself, Anchorage, AK, said she's a second generation Alaskan who has been working in the oil industry since she was about 20-years-old. Currently she is a project engineer with CH₂M Hill, and her husband works for Halliburton. She graduated from the University of Virginia with an engineering degree and didn't have any trouble getting job offers here in Alaska. Her high school friends that also received engineering degrees all had a similar experience. Her sister received a mentorship with BP while she was in high school, and CH₂M Hill offers internships and summer mentorships for drafting. She stated that her experience is that the oil industry is very open to Alaska hire.

MS. KING said a primary concern going forward relates to the lack of new exploration, the reduction in production, and declining throughput. She'd like to see these problems go away and make sure that she has a sustainable future. She observed that the North Slope may have a lot of nonresident hires, but she believes that the support services in Anchorage and Fairbanks are local hires.

SENATOR GIESSEL thanked her for the good news and for representing the next generation.

[6:20:03 PM](#)

DAN ANDERSON, representing himself, said his first trip to the North Slope was in 1976. He stated agreement with the previous testimony and surmised that 95 percent of the support positions in town are filled by Alaskans. The Alaska hire problem is on the North Slope. He suggested that the number of nonresident North Slope workers is probably higher than reported and the only way to find out for certain is to stand at the Shared Services Aviation ticket counter and check driver's licenses. He calculated that 40 percent of the people on the planes are nonresidents and guessed that \$30 million leaves the state every year. To prove that qualified Alaskans are passed over he explained that he submitted an online application to CH₂M Hill

for a procurement position. Even though he had 25 years of experience in procurement, he didn't even get a phone call. The successful applicant lived in Washington state.

MR. ANDERSON urged the committee to put teeth in the hiring process to ensure that qualified Alaskans aren't passed over in favor of nonresidents.

[6:25:01 PM](#)

RACHEL PETRO, President and CEO, Alaska Chamber of Commerce, Anchorage, AK, said the Alaska Chamber generally supports Alaska hire, but more importantly it supports economic development. Increased economic opportunities in Alaska will lead to increased opportunities for current and future Alaska residents and the Alaska Chamber's economic partners in the Pacific Northwest and across the globe.

MS. PETRO said the Alaska Chamber selected oil tax reform as one of its top three legislative priorities this year and would like the committee to focus its efforts on increasing throughput in TAPS. The exploration credits and incentives in ACES led to potentially the busiest exploration in years, and it seems reasonable to apply a similar methodology to increasing production. HB 110 is a good vehicle, she stated.

[6:27:38 PM](#)

CHARLES MCKEE, representing himself, Anchorage, AK, said he's lived in Alaska since 1967. Although he didn't have a high school diploma or GED, he got a job on the pipeline because of his father's Teamster connections. He said his experience with the hiring practices in the oil industry is that many base-level jobs were filled by nonresidents. He stated that he is currently unemployed.

[6:35:16 PM](#)

REBECCA LOGAN, General Manager, Alaska Support Industry Alliance ("Alliance"), Anchorage, AK, informed the committee that the 460 Alliance members employ 35,000 people in the state of Alaska. Recently she examined 100 renewal applications looking at total workforce numbers and total Alaskan workforce numbers. Worldwide corporations and Alaskan companies that had two or fewer employees were excluded from analysis. She found 86 Alaska-based companies with 7,260 total employees and 6,266 Alaskan employees. This represents an 86 percent Alaska-hire rate.

MS. LOGAN explained that the Alliance's very important Industry Relations Committee (IRC) advocates for its members and works

with the producers to ensure that Alliance members understand the producers' procurement process and to help members be more competitive. The IRC also facilitates meetings between its members and new companies in the Alaska market. In the last six months the IRC talked to Apache about what it is doing with Statoil and Linc.

MS. LOGAN warned the committee to proceed with caution with regard to Alaska DOLWD data. The website states that 1) workers can be counted as new hires by more than one employer during a quarter or over a four-quarter period and 2) users should not draw broad conclusions about net job growth trends based solely on new hire data. As a former administrator of a federally registered apprenticeship program, she can confirm that on the North Slope people move from one employer to another. She said she has difficulty believing that 50 percent of all new hires are nonresidents because of the way they're counted. She looks forward to the McDowell study.

CHAIR EGAN added that's why the Legislature commissioned the McDowell study.

[6:39:15 PM](#)

MIKE KENNY, representing himself, Anchorage, AK, said he began work on the North Slope in 1970 as a surveyor, became the business representative for Teamsters Local 959 in 1992, and the AVICC chair in 2002. He lived in ATCO trailers for nearly five years and learned a lot about local hire. In 1980 he was working to develop the Kuparuk Oil Field when VECO showed up to bust the unions. That's when he learned about crony capitalism. Getting a job under that system had nothing to do with merit. He warned the committee against trusting data that shows that a lot of North Slope workers are Alaskans, because they're not.

[6:44:18 PM](#)

PAUL D. KENDALL, representing himself, Anchorage, AK, stated that the cold fusion reactor evolution has begun. At the same time, the hydrogen economy infrastructure has been launched and the planet is being electrified by new technologies. He emphasized that it's all about individual energy and that is about to change drastically. This will bring true free markets and real individual accountability.

MR. KENDALL opined that the comments about throughput are coming from shills for special industries, and those are the last people everyone needs to hear from. He asserted that the consistent theme is no accountability, because no one talked

about illegal aliens in the [North Slope] job market. He suggested the committee gather and listen to engineers to figure out some direction.

[6:52:32 PM](#)

ED HANSEN, representing himself, Anchorage, AK, said he used to work for National Bank of Alaska, and for many years he's been interested in energy and serving Alaska. At some point he will provide testimony, but at the moment, he's listening on behalf of the Governor.

[6:53:46 PM](#)

DOLLY NORTON, President and CEO, Cully Corporation, Point Lay, AK, said she is a lifelong Alaskan who worked on the North Slope just once, and that was enough. She worked in the office and saw first-hand how the good old buddy nonresident hiring system worked. Managers would call friends in the Lower 48 to suggest they apply for job openings on the North Slope, and they'd get hired.

Point Lay has qualified people to work on the North Slope, she said; it's just a matter of looking, and it's unfair to ignore this. These jobs should go to people who live in Alaska, want to retire in Alaska, and who live off the land. In particular, the young people need a chance to work in the industry. She explained that Point Lay is the youngest village on the North Slope, and it has more kids in school than any other small village on the North Slope. Those jobs are vitally important for the residents to provide for their families and for the village to be sustainable, she stated.

[6:56:37 PM](#)

RUSSELL SNYDER, representing himself, Anchorage, AK, said he was born in North Pole, graduated from UAF, and is an Arctic Slope Regional Corporation shareholder. He's worked on the North Slope for six years and has seen that resident hire numbers are fudged. For example, he was counted when he was in a Native internship program. He described how difficult it is for Alaskans to qualify for the higher-level management jobs.

MR. SNYDER agreed with Ms. Norton that the village of Point Lay has a large population of young people. He emphasized the benefit of bringing industry into the classroom to train these young people to work in both Prudhoe Bay and offshore. He noted that this morning he attended the Shell Oil presentation on offshore drilling at the Alliance meeting. While he found the talk educational, he was alarmed that just three Natives

attended. He encouraged the committee to help fund education for young people to work in the oil industry and to push the oil industry to do onshore exploratory drilling. Offshore exploratory drilling is more difficult to control, he stated.

7:00:43 PM

DEBORAH BROLLINI, representing herself, Anchorage, AK, said she is testifying as a 35-year Alaskan who cares deeply about the state and her children's future. She said she's perplexed by the hearings on Alaska hire since the Alaska Supreme Court ruled on January 17, 1986 that Alaska hire was unconstitutional. Nevertheless, everyone can agree that Alaska hire is important. It is part of Alaska's culture, and it is in the best interest of the state, business, and the economy.

The Alaska economy is reliant on the oil industry and all Alaskans benefit regardless of where they live. It's important to keep the economies strong for the children and grandchildren in the future. Job numbers can be argued all day, but there won't be jobs for children and grandchildren if there isn't a safe and operational pipeline. She said she attended a forum last May, and what stood out was that policy makers, Alaska Native people, and the public made decisions based on their desire to have a good future for their great grandchildren and great-great grandchildren. If we don't lay down our swords we're only hurting ourselves, she concluded.

7:04:27 PM

AVES THOMPSON, Executive Director, Alaska Trucking Association (ATA), said ATA has about 200 member companies statewide and it supports local hire and jobs for Alaskans. Local hire has long been an issue in Alaska, but because U.S. citizens are free to travel and work wherever they choose the many legislatively engineered local-hire plans that have been advanced over the years have been struck down as unconstitutional. He opined that to try to develop a new legislative plan seems counterproductive.

MR. THOMPSON observed that the oil and gas industry was receiving a great deal more scrutiny regarding local hire than any other segment of industry, and that the real issue was production. That's the highest priority for Alaska and focusing on that priority will increase oil production and jobs for Alaskans and others.

MR. THOMPSON pointed out that incentives do work. They have worked for exploratory wells for both oil and gas, for movies,

and for wind and solar projects. Arguably, incentives for more production will result in more production. More production will help fill the pipeline, and a full pipeline should provide job opportunities for anyone qualified and willing to work, he stated.

[7:07:44 PM](#)

HAL GAZAWAY, representing himself, Anchorage, AK, said he's a longtime Alaska who started practicing law when the pipeline was under construction. A number of his clients have connections to the North Slope, employment, and the construction industry.

MR. GAZAWAY said he's sure the committee is well aware of the difficulty in crafting any kind of legislation that will promote local hire and not run of foul of both the Alaska and the U.S. constitutions. He suggested it makes more sense to use the \$2 billion that ACES produced for a capital improvement program that would use Alaskan contractors and hire Alaskan people to work on Alaskan projects. This adheres to the constitutional mandate to develop Alaska's resources for the benefit of the people of Alaska. He said he appreciates that the ten Senators spoke to the fact that the McDowell report is necessary, and he believes that the wisest course is to wait to see what that analysis shows.

[7:11:59 PM](#)

RAY METCALFE, representing himself, Anchorage, AK, said his first job on the North Slope was in 1969, and at that time everyone on the crew lived in Alaska. The unions were strong and the work schedule was one week on and one week off or two weeks on and two weeks off. The percentage of Alaska hire changed when big contractors like VECO were hired to bring in large nonresident crews. To keep transportation from being prohibitive, the work schedules were changed to six weeks on and three weeks off.

MR. METCALFE agreed with Mr. Beltrami that unions do have the ability to screen for residency as they dispatch. He opined that local hire would increase if there were a stronger union presence on the North Slope and preference given to those unions that successfully negotiated a return to short rotation schedules.

[7:15:55 PM](#)

LYNETTE BARTOWSKI, representing herself, Anchorage, AK, explained that the way that nonresidents are counted as resident hires for North Slope jobs is that these people are stopping by

the DMV office to get an Alaska ID or driver's license and using that to prove they're a resident. She challenged the committee to look at the statute related to driver's licenses and to broaden the questions to the hiring companies as to whether the physical address on the driver's license is where the person lives fulltime.

7:18:07 PM

CAROLYN P. BOLAR, representing herself, Anchorage, AK, informed the committee that she worked in the oil industry on the TAPS line with Standard Oil and left when it was sold to BP. She said that while the focus today is related to jobs, the underlying issue is Alaska's Clear and Equitable Share (ACES). The large oil companies Exxon, Conoco, and BP were hired to produce the oil that belongs to Alaska citizens, and they are fighting for more money. They're fighting through misinformation and political donations to elected officials or those who wish to become elected officials. The \$2 billion per year that is in question, while substantial, is mere change to some of these companies, but they're pushing because it's a matter of power and maintaining power. It's just not good business to allow Alaskans to get their fair share.

MS. BOLAR pointed out that the oil producers are simply contractors and that it's not reasonable to act as if the oil is theirs and that Alaska is lucky to get what's offered. Other countries don't treat contractors that way. Instead, they set the price, collect the money, and then pay the contractors.

MS. BOLAR said ACES passed amid the turmoil created by the "Corrupt Bastards Club" and its funders, and it probably would not have been put in place were it not for the disgust of citizens and their mistrust of their leaders. And it's far from perfect, because it doesn't come close to generating the maximum profit for Alaska citizens. She reminded legislators that the oath they took to join the Legislature said nothing about getting reelected or going along to get along. Think about how you felt when you uttered those words, she stated.

7:22:06 PM

WINNIE OUTWATER, representing herself, Wasilla, AK, stated support for a stronger union presence on the North Slope, because clauses in their bylaws allow preferential hire. Employers need to look at the Alaskans that are trained.

CHAIR EGAN thanked the participants and committee members.

7:27:41 PM

There being no further business to come before the committee, Chair Egan adjourned the Senate Labor and Commerce Standing Committee meeting at 7:27 pm.